

The Board of Regents, State of Iowa, met on February 3, 2005, at the University of Iowa, Iowa City, Iowa. The following were in attendance (not all inclusive).

Members of the Board of Regents, State of Iowa:

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| Robert Downer, President Pro Tem | All sessions |
| Amir Arbisser | All sessions |
| Mary Ellen Becker | All sessions |
| Owen Newlin | All sessions |
| Jenny Rokes | All sessions |
| Rose Vasquez | All sessions |
| Michael Gartner (Regent-designee) | All sessions |

Representing the Regent Institutions:

SUI: David Skorton, Doug True, Meredith Hay, Bob Bowsby, John Staley

ISU: Gregory Geoffroy, Warren Madden

UNI: Robert Koob, Morris Mikkelson

ISD: Jeanne Prickett

IBS: Dennis Thurman

Student Leaders:

Lindsay Schutte, SUI

Sophia Magill, ISU

Brandon Moe, UNI

Board Office:

Gregory Nichols, Gary Steinke, Pam Elliott, Tom Evans, Joan Racki, Deb Hendrickson, Susan Anderson, Marcia Brunson, Tony Girardi, Diana Gonzalez, Barb Boose, Dianna Baker, Marilee Mitchell and Sheila Doyle

Others:

Ed Bittle, Mark LeMay

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Board of Regents, State of Iowa

The following business was transacted on Thursday, February 3, 2005, beginning at 9:30 a.m.

PUBLIC SESSION

President Downer convened the meeting and made the following opening comments:

“Before we start the scheduled portion of today’s agenda, I would ask your permission for me to make a few comments.

“We are missing three of our Board members who were present with us when we last met in regular session, but whose contributions will continue to benefit Iowans. Since January 20, President Forsyth and two of our senior members, David Neil and Sue Nieland, have resigned from the Board. Governor Vilsack has proposed two highly qualified Iowans as the successors to John and Dave, and I am confident that he will nominate an equally outstanding replacement for Sue. Dave had served on our Board for nearly six years, and effectively brought to us a point of view which is not often present on higher education boards. He is a highly effective representative of workers and we shall miss him. Sue had provided good leadership in the human resources area, and her particular contributions in that field will be remembered, as well as her advocacy for the interests of western Iowa. I had the privilege of working closely with John Forsyth as a part of the leadership team since last May, and much has been accomplished as a result of John’s vision and management skills. The positive change that John brought to the Board will continue.

“Numerous people have been quoted in the media over the past 10 days speculating about the Board of Regents. Do the membership changes signal a different direction or an abandonment of the Partnership for Transformation Plan? Do these resignations mean that the conditional commitments to restrict tuition increases are gone? As the process for evaluating and consolidating business processes at the institutions stall, the answer to each and all of these questions is an emphatic ‘no.’

“Our Board office staff, institution heads and numerous Board members have been meeting with key legislators for months. The message concerning and the commitment to the transformation plan has not changed one bit. We are continuing and accelerating our efforts with these legislative contacts and are hopeful that our goal will be reached. Regarding both the additional appropriation of \$40 million and the internal institutional reallocations, nothing is substantively different in this regard. Some spokespersons may have changed, but the plan, the message and the commitment have not.

“The same is true regarding the combination of business functions. Implementation is moving forward on motor pool, internal audit and risk management. The transformation of Iowa Public Radio is continuing as I speak. There are a number of other non-academic

areas being studied, including human resources and employee benefits. Exploration and study will continue, and the Iowa Business Council is expected to provide assistance to the business offices and each of the Regent institutions, as these plans move toward becoming a reality.

“Do these departures of Board members mean that there will be stagnation and inaction? Mostly certainly they do not. Our remaining Board membership, as augmented by Teresa Wahlert and Michael Gartner, is committed and effective. We have an outstanding and engaged staff in the Board Office. Most significantly, from the standpoint of service to the state, we have innovative, energetic, dynamic and thoroughly honorable leaders at each and all of the institutions under our governance.

“When we have all of our new Board members in place, there will be an election of a new President. In the meantime, I will be doing my very best as your acting President to provide the leadership that this great enterprise needs and deserves.

“As I’ve indicated, I will be only an interim President. It is important to note, however, that the words “interim” and “caretaker” are not synonymous. While I have not particularly studied interim leadership, I do have an excellent model to follow, one established by one of my former professors. Sandy Boyd, President Emeritus of the University of Iowa, has been a role model for me since I was an undergraduate 45 years ago. Later, I had the good fortune of having Sandy as a law school professor. He then went on to become President of the University of Iowa and of the Field Museum in Chicago. In 1996, he returned to the Iowa College of Law, where he still teaches full-time at the age of 77.

“These accomplishments are not why I mentioned him at this time, however. In 2002, he was tapped to again return to the U of I presidency on an interim basis, and he served in that capacity until March 1, 2003. Upon his appointment, he immediately established himself as the same strong, innovative leader that he had been when he left the U of I presidency more than two decades earlier.

“Sandy accomplished much in the nine months or so that he resumed the U of I President’s Office. Although I will not be serving as interim President for nearly that long, I will be striving, as Sandy did, to move forward with the needed initiatives during this period.

“It is great pleasure for me to have with us today two people who are very special in my life. My wife, Jane, is a volunteer par excellence, having put in more than 800 hours a year on behalf of Hancher Auditorium Gift Shop for quite a few years. Her work is helping Hancher to meet the challenges of funding cut-backs, just as other volunteers at all of the universities and special schools are providing a particularly valuable service in these times of financial strain. To me, Jane exemplifies the important role filled by volunteers in enhancing the effectiveness of all five Regent institutions.

“While I am very interested in protecting the interests of all of the more than 67,000 students at the Regent institutions, I feel a special responsibility to one. She’s the one that calls me dad, our daughter, Elise. Elise has just passed the halfway point in her studies at

the Iowa College of Law. It is my fond hope that after 40 years, Elise will be as proud of having graduated from an Iowa Regent university as I am now. Much as I appreciate your coming here, Elise, it's my understanding that you have class at 10:20 and I expect you to be there.

"Thank you for having entrusted this position to me. I promise you that I will give it my best effort in the hope that we can together fulfill our responsibilities to all who depend upon us and on whose lives we have a capacity to make a difference.

"Now we have important business to do and let's get to work!"

President Downer discussed the new recording system being used and how he would address individuals. On roll call votes, a formal calling of the roll will occur. Gary Steinke asked that individuals speaking to identify themselves by name for the recording.

ITEM 1. MINUTES OF DECEMBER 15-16, 2004, BOARD MEETING

President Downer recognized Greg Nichols, Executive Director to comment on a revision to the minutes.

Comments by Greg Nichols, Executive Director

Revised processes are in place not only on taping and transcribing minutes, but also in preparing final drafts. Replacement page 131 includes a change specifically requested by Regent Nieland relating to her comments during her discussion on public radio. Mr. Nichols and Regent Nieland had agreed the revisions more completely reflect her remarks than what was in the previous draft.

President Downer added one additional correction in the December 15-16 minutes. Vice Provost Bloedel of Iowa State University was referred to as Vice President Bloedel, and the correct title should be reflected in the minutes.

President Downer asked for a motion that the December 15-16, 2004, minutes be approved as corrected.

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| MOTION | Regent Arbisser moved to approve the minutes of December 15-16, 2004, as corrected. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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Regent-designee Gartner commented that he did not vote on the previous motion and that he would not be voting on any issue at today's meeting.

MINUTES OF DECEMBER 29, 2004, SPECIAL MEETING

President Downer said the Board members just received copies of these minutes for review and that they would not be voted on until the March meeting.

Comments by Greg Nichols, Executive Director

Several unusual circumstances of the last few weeks for the Board Office complicated this process. These are the proposed minutes for review, not for a final vote today.

The personnel and process changes for processing Board meeting minutes caused the Board staff to take longer in providing these minutes than it will in the future. The staff today will address any comments, corrections or questions regarding the December 29 minutes, so the Regents can provide approval in whatever form they choose at their next meeting.

ITEM 2. INSTITUTIONAL AND BOARD OFFICE PERSONNEL TRANSACTIONS

Marcia Brunson said the registers from the five institutions were in order. Dianna Baker was appointed as Executive Assistant in the Board Office as one of the items.

Greg Nichols introduced Dianna Baker to the Board and discussed the skills she brings to the job.

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| MOTION | Regent Arbisser moved to approve the personnel registers as presented. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 3a. FISCAL YEAR 2006 CAPITAL REQUEST PLANNED DISTRIBUTION

Comments by Gary Steinke, Deputy Executive Director

This item is an affirmation of the plan for capital reinvestment at the institutions, which the Board approved in September 2004. The five-year plan calls for \$15 million each year to correct deferred maintenance and fire safety deficiencies at the institutions. The other part of the plan says that for every \$2 of new state capital appropriations for deferred maintenance and fire safety, the institutions would provide at least \$1 in internally allocated building repair funds.

Mr. Steinke said that he and the state relations officers are pursuing this in a very preliminary way in the Legislature with the chairpersons of the Transportation, Infrastructure and Capitals Appropriations Subcommittee. Now that the Governor's budget

has been released, more substantial information about this progress will be provided at next month's meeting.

President Downer commented that an article last week reported that a national organization was grading the effectiveness of various state governments. Iowa was in a middle group under that report of roughly half the states. One of the areas that Iowa was graded down was deferred maintenance on state property. President Downer said it is important that progress be made in this area.

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| MOTION | Regent Vasquez moved to reaffirm support for the planned distribution of FY 2006 state appropriations for capitals. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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| MOTION | Regent Newlin moved to approve that the Board support Regent Downer's opening statement. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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Regent Downer abstained from voting on the above motion.

ITEM 3b. LEGISLATIVE UPDATE AND GOVERNOR'S FY 2006 RECOMMENDATIONS

Comments by Gary Steinke, Deputy Executive Director

Amid recent distractions in the Iowa Legislature, Mr. Steinke and the three state relations officers are closely following the Board of Regents direction by focusing on the Partnership for Transformation and Excellence Plan.

Mr. Steinke said he has been talking to and providing information to legislative leaders and committee chairs. The three state relations officers have been meeting one-on-one with many legislators over the last three weeks.

These meetings are focused on the benefits of this plan to the people of Iowa, to the quality of education at the institutions, and to the students in the state. This plan:

- assists in achieving national competitive salaries, to allow the universities to recruit and retain faculty members who are among the very best in their fields of study, which is what the people of Iowa expect;

- focuses resources on areas that are critically important to the future of Iowa: increasing class offerings in areas of high student demand and strengthening academic areas negatively impacted by the budget cuts over the last few years;
- helps the development of new academic programs, vital to the economic and growth needs of Iowa, further enriching the educational experience for all students at these institutions;
- supports improving student progress toward graduation;
- supports effective management of class sizes;
- preserves the excellence of the outreach and the inherent missions of the three Regent institutions; and
- provides moderate tuition increases.

These outcomes of the Transformation Plan are what the people of Iowa and students expect.

Almost every legislator they have talked to has expressed strong support for this concept. Before the Governor's budget was released on Monday, they had many questions about funding, but not about the concept or outcomes of this plan.

Mr. Steinke said that the Governor recommended full funding, \$40 million, of the Board's request for the Transformation Plan. Mr. Steinke said this was the best recommendation from the executive branch he had witnessed in the 11 years he had been working with the Regent institutions. He felt it shows that in a very tight budget year where everything and everybody is going to be stretched, the Governor supported the Regents' plan.

The Governor's recommendations also include an appropriations increase for the Regent special schools, equivalent to the 4% allowable growth increase for other K-12 schools that the Governor signed yesterday. The Governor's budget also fully funded the requested tuition replacement appropriation outside of the Transformation Plan.

The Governor additionally recommended \$500,000 for special schools maintenance from the proposed Iowa Values Bridge Funding Fund.

The Governor's budget includes a five-year Iowa Values Fund, which includes \$60 million for research and development at the universities. For FY 2006, \$21.9 million is designated for the bioscience initiative outlined in the Battelle Report.

The Regents and the people of Iowa can be very proud of these recommendations. The Governor recognizes the importance and the commitment that this Board has to the students and the parents of Iowa; the accountability this Board expects from the institutions to itself, to the Iowa Legislature, and to the people of Iowa; and to the important role the universities play in economic development and growth in the state's economy.

Regent Downer said the Governor has stated that he is supportive of the full \$40 million request, but his budget message designated only \$20 million. Regent Downer asked Mr. Steinke to explain the apparent discrepancy.

Mr. Steinke said the Governor recommended \$40 million in two places in the budget: a \$20 million operating increase to the Board of Regents and also \$20 million in the Salary Adjustment Fund for salaries at the Regent institutions. He said he and the state relations officers would be talking to legislative leaders about \$40 million and what they're willing to do about moving some of the \$20 million more in line with the recommendation of the Regents' Transformation Plan. Regardless of where the money is in the budget, the Governor has designated for the Regent institutions \$40 million as requested.

Regent Rokes commented that as a student and a member of the Board, she has a unique position and understands that rising costs in tuition affect thousands of students. As a Board member, she sees the hard choices in allocating funds. Students feel better knowing that the Board staff, Board members, and university leaders have full faith in this plan. Students don't understand all the numbers, but they understand there are people higher up who do care about them. The key message to legislators is that thousands of students want to give back to the state of Iowa. "When you invest in us, we invest back," Regent Rokes said. She added that the Board will see a couple of examples today of those student leaders, thousands more live across the state of Iowa.

Regent Vasquez asked about timing of legislative budget processes. She asked Mr. Steinke if different budget elements – such as salary funding – are acted upon at different times during the legislative session.

Mr. Steinke said yes. The operating appropriations typically are acted upon by the appropriate legislative subcommittees, which hold hearings and start looking at numbers soon after the Governor's budget is released. He expected the subcommittees will begin discussions about the operating budget for the Regent institutions as early as next week or the week after.

He said the salary adjustment funding, if that's where the money actually stays, is usually decided at the end of the session. There could be a big delay between the Transformation Plan's success in both places, depending on where the other \$20 million might flow.

Regent Becker said this was her fourth year on the Board, and she found this to be an exciting time for the Regent institutions and the Board. The Transformation Plan has great potential for finding efficiencies and moving forward with some very exciting initiatives. She was very pleased that the Governor saw this potential. She felt confident that Mr. Steinke and others were helping the legislators see its benefits for Iowa – ultimately, the improved quality and work the students get a chance to experience, and the many ways that the Regent institutions touch all of the people in Iowa.

President Downer commented that as everyone has seen, questions exist in some circles about the Board's resolve regarding the Transformation Plan in light of Board membership changes. He felt that Board members have reaffirmed their commitment. For purposes of having this on the record once and for all and then moving ahead, he asked if anyone has changed his or her mind with respect to the Transformation Plan, who is no longer

supportive of it, or who suggests the Board change direction. No dissenting remarks were heard.

President Downer asked the presidents of the universities and the superintendents of the special schools if they had changed their positions in this regard.

Comments by University Presidents

President Geoffroy said Iowa State University definitely was not recommending a change in approach, and its leaders are fully committed to the Transformation Plan. They are actively developing implementation plans for reallocation and investment of the new resources. For example, because of a serious problem in Iowa, Asian soybean rust, they are going forward and creating two new faculty positions at the university to address it. Those funds will come from reallocation or from the new funds.

He continued by saying he has been communicating this plan widely. As he travels around Iowa, describing and advocating for the plan to alumni and service organizations and campus groups, he said he has received strong support from all groups. He believes it is an outstanding plan, and the university looks forward to its full implementation on campus.

President Skorton said the comments from individuals and groups he has spoken with are equally strong. He reminded the Board of the work of the university presidents to move ahead with the plan. Last week, the University of Iowa cut an additional \$2 million in the General Education Fund that is tightly linked with the aspect of the Transformation Plan that calls for \$20 million to be reallocated toward strategic priorities within the enterprise.

Regarding the plan's directive to reduce duplication and increase efficiencies, the three university presidents and vice presidents for finance have developed consolidation agreements that the Board has already approved for the internal audit function, risk management, and fleet services. This week, President Skorton named a chair for the committee that will search for the new internal auditor. He believes this will be the first enterprise-wide position created to actually implement the plan's strong vision of consolidation and reduction of duplication of business functions, which the university totally endorses. Efforts in risk management and fleet services will follow.

He commended Iowa State University and the University of Northern Iowa in helping move toward consolidation and implementation of the radio station functions. He commented on Iowa State University's moving forward with the consultant for the search for the executive director of the new consolidated radio entity. In addition to their strong rhetorical and philosophical support, the three university presidents are moving forward with implementation of the plan. He hopes to report on more concrete progress by the March meeting.

President Koob remarked that at the Iowa Business Council's annual meeting this past week, the council's new president publicly committed to working with the Regents in process improvement. The universities' chief financial officers have submitted a set of

papers on six areas where they are committed to work on process improvement with the Iowa Business Council. The staff of the council have assured him that the communication would continue.

The universities are excited about the opportunity to work with those who have already experienced significant process improvement in their own businesses and who will share their expertise with the institutions. The more resources that can be put into serving students and the fewer into business processes, the better. This is agreed with throughout the campuses. Every manager is on board with this with no reservations.

Regarding the reallocations and potential new operating funds from the Legislature, the University of Northern Iowa has proposed three new programs, two of which the Board has already approved, in response to the needs of the people of the state. The first, a program in computer network administration, responds to growing enrollments in the community colleges and is part of the continuing effort to articulate technical programs to the university level. This is one of the fastest growing majors in the community colleges, and UNI has developed an opportunity for those to articulate.

Secondly, UNI has proposed and been approved for a program in bioinformatics. This is in response to the growing bio-economy of the state and also provides a feeder program for the excellent graduate program at Iowa State University.

Finally, UNI is proposing a new set of programs at the master's degree level in direct response to the Battelle Report, which suggested the need for a more educated workforce. The principle behind the practical science master's degree program is that graduates at that level need to speak at least two languages: the language of technology, whether it be biotechnology, information technology or manufacturing technology, and the language of business. The university is reallocating resources and looking forward to new operating funds in order to continue providing a high-level workforce to the state of Iowa.

The University of Northern Iowa is absolutely and completely committed to the Transformation Plan. They have taken significant actions on the business side and on the academic side to show their response.

President Downer asked if the student body presidents of the universities who were present to come forward to make comments on the Transformation Plan.

Comments by Lindsay Schutte, President, University of Iowa Student Government

Ms. Schutte stated students absolutely support the Transformation Plan. She said it is “by far the best deal students have gotten in years,” enhanced by everyone working together.

The students at the universities and of the state who are planning to go the state universities deserve the efficiency and accountability that underpin the entire plan. Iowa families have every right to be able to plan for stable and predictable tuition increases. They want to send their kids to state schools, and the plan will help them plan for the future and be able to afford tuition.

She expressed support specifically on behalf of the University of Iowa students for the decisions of President Skorton and central administration. Students don’t always agree with the administration, but they support their decisions and belief in shared governance. Students do have a say in what goes on at the university.

Ms. Schutte added that students ask that politics not become the main thrust of discussions about the Transformation Plan. It’s important that responsible, clear-sighted, forward thinking is the focus and not the politics of the situation. The taxpayers and students of Iowa deserve it.

Comments by Sophia Magill, President, Iowa State University Government of the Student Body

Ms. Magill pointed out that students of the three Regent universities have been working together this year; she thought this was the first time they had come together as a united front.

She said the key word in the Board plan is “partnership.” She is looking to the Iowa Legislature to continue this partnership in order to make all accountable.

Ms. Magill said she wanted to provide an “invitation to the future.” She noted events in support of the Transformation Plan. First, there was a great turnout for the student state capitol orientation recently held. Many students from all three universities attended to better understand the student viewpoint regarding the Transformation Plan.

Looking forward, the Regents Day will be held at the Capitol on February 15. Students, alumni, parents, Regents, and administration will meet at the Capitol. This student-led event fosters important interaction between members of the Iowa Legislature and students.

Also, the second annual “Meet the Future of Iowa” will be held March 2. Students, alumni, parents, Regents, and administration from all three universities will attend to interact formally and informally.

The ISU Ambassadors Program is in its second year. Its 70 members, representing Iowa counties and surrounding states, are connected to hometowns, government and media.

An ISU update is provided to inform the hometown communities about what is happening at Iowa State University and to let them know about any legislation that is of great concern to the students.

Iowa State University continues to support the Board's Transformation Plan and looks forward to working with the Iowa Legislature.

Comments by Brandon Moe, President of University of Northern Iowa Student Government

Noting that the previous speakers had already covered most points, Mr. Moe emphasized that the students of the University of Northern Iowa fully support the Regents' Transformation for Excellence Plan. It addresses some of the most important issues to students, outside of grading results. It also promises to keep tuition increases low and predictable while maintaining quality at the University of Northern Iowa.

With regard to legislative efforts, UNI students will participate in the February 15 Regents Day at the Capitol. A bus will be rented to transport students to this event. Additional student organizations will be speaking and informing others of the learning opportunities outside of the classroom that are available at the University of Northern Iowa.

UNI students will also participate in the "Meet the Future of Iowa" event.

Mr. Moe said NISG has launched a fairly aggressive campaign to encourage students to simply write a postcard to their legislators. This effort will be going on for the next few days. Additionally, students will be encouraged to send a basic form letter home to encourage parents to write letters or e-mail messages to legislators as well.

Regent Rokes recognized that the three student body presidents are not only leaders, but also students. She encouraged everyone to remember that they are full-time students who probably work and don't sleep much, but are working very hard. There are thousands of students like this and they should be given a round of applause.

President Downer stated that student elections take place this time of year and some students may not be able to attend the March meeting. He also emphasized the terrific job done by the three student body presidents over the past year. All are to be saluted for their commitment.

President Downer indicated that the legislative report was received by general consent, and noted all comments were reaffirmation of support and strong commitment to the Partnership for Transformation and Excellence. The Board, the administration at the universities, and the student governments are united in support of the plan.

Comments by the Special Schools Superintendents

Superintendent Dennis Thurman commented that while the Iowa Braille and Sight Saving School is not part of the Regents' Transformation Plan, that doesn't mean the school isn't involved in a major transformation. The Board appointed a task force to look at the future of Iowa Braille and services for visually impaired and blind children. The task force has had three meetings.

Superintendent Thurman said he felt that two "shining lights" have been the appointment of the task force and the continued budgetary support of the Iowa Legislature. He thanked the Governor for what he had done and thanked the Board for its support and direction.

Superintendent Prickett echoed Superintendent Thurman's sentiments. She said they deeply appreciate the centralized support for the facilities and for fleet management from Iowa State University. They could not afford to do those things at the School for the Deaf, as it is a small institution. The internal audit functions are performed by the University of Iowa. The school has always been a part of these shared services. She added the school receives outstanding services and looks forward to continuing that as the universities proceed with the transformational process.

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| MOTION | Regent Newlin moved to support and endorse the Regents' Transformation Plan. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 4. Facilities Governance Report

Comments by Joan Racki, Regents Facilities Officer

Ms. Racki stated that this is the first annual Facilities Governance Report. It is designed to provide a more comprehensive review of facilities than past reports while retaining the continuity of past reports on fire and environmental safety and deferred maintenance.

She indicated that high-quality facilities are an integral part of the academic enterprise. They are needed to compete for faculty, staff, and students, and to improve their research productivity. The report includes an overview of facilities and three attachments.

The first attachment contains the university master plans and planning process; the second, facility organizations and operation; and the third, fire and environmental safety and deferred maintenance.

Ms. Racki also noted the section on institutional cooperation and coordination, beginning on page 9, which details the number of ways in which the Regent institutions are working together in facilities management.

Ms. Racki welcomed comments and suggestions regarding items to be included or changed in future reports to the Board.

Comments by Doug True, Vice President, and Don Guckert, Director of Facilities Management, University of Iowa

Vice President True indicated that seven years ago the university completed a master plan, outlined in Attachment A. This past plan helped define certain objectives and identify some permanent green spaces, such as south of the library. Some functions will take place at the far west campus, including Hawkeye Campus for student recreation and some joint athletic and recreations activities.

The university has identified business service functions that could take place south of Burlington Street, outside the confines of the university campus where student functions come first. Therefore, the university will make better use of the valuable land.

Since 1998, several things have driven the need to change. The College of Public Health is the university's first new college in decades, enrolling a thousand students. Much of the 54 percent increase in sponsored research is laboratory research that requires space on the campus and interaction with students and faculty. Additionally, UIHC has a critical presence on the campus and is growing.

Efforts led by Provost Mike Hogan are under way to be responsive to the strategic plan. These efforts are top priority and are nearing completion.

Vice President True indicated that efforts include creating a campus identity. People make decisions to come to the university as students, patients, or visitors for many reasons. They include the capability and reputation of the faculty. However, much of the decision is based on appearance, natural heritage, architecture, and how responsive the university is to students and visitors. The campus is urban and many changes have already been made, but more are needed for a pedestrian-friendly campus that is easy for visitors and friends to get in and out and that has convenient parking.

Celebrating the Iowa River also is very important and should be taken full advantage of in every instance possible.

Mr. Guckert has helped emphasize the use of national consulting services. This type of assistance, such as Joe Hibbard with Sasaki Associates, is beneficial to the university. The consultants are not making decisions but help in creative thinking. An example is the recent effort to decide where to provide additional recreation center space for students on the campus. This difficult decision process was helped by experience at other campuses. The recreation center site selection map in Attachment A indicates in brown those areas that were considered for the purpose and the space that was ultimately selected. This was done after months of work and consultation with faculty, student groups, and especially student government. This is a good example of the communication effort before a commitment was made on a multi-million dollar recreation site for students.

Vice President True explained program-driven planning deals with the strategic plan and programs. The university does not want to be driven by only facility needs but rather by the programs. The university is fortunate to have a provost with a vision such as Mike Hogan, as well as the new incoming research vice president. Efforts in the health sciences are important; a critical area is lab space to meet the best needs of medicine, nursing, dentistry, pharmacy, etc.

A recent example of a program-driven effort involving the UIHC was the nursing education center approved in December. This effort combines UIHC nurses with College of Nursing needs and is being built collectively within UIHC and jointly financed.

A growing issue is the university's relationships with surrounding neighborhoods in the community. Located in the middle of downtown, the university recognizes it needs to listen closely to neighborhood issues and remain engaged with the community by using the campus planning committee, consisting of faculty, students and staff.

Since the university is so urbanized in parts of the campus, it is important to consider all areas, including parking and circulation, in-fill, property acquisition, UIHC facility planning coordination, and the university's concentrated underground utilities.

Vice President True noted two things regarding the university's project planning framework. The university is one-third done and will be fully done this academic year with a facilities condition audit, conducted by a firm called Isis based in Atlanta, Georgia. Isis has done work for Michigan, Minnesota, Texas, North Carolina and a number of universities, enabling them to make better choices. Because there is not enough money to cure all the problems, efforts are being made to make decisions correctly and in a prioritized way, so that nothing is missed with regard to condition assessments. This relates to the criticality of deferred maintenance.

The second item to highlight is integrating facilities planning with financial analysis. Progress has been made in the last year and a half. The university must be mindful of the bond rating as a nice benchmark and hopes to retain its current double A credit bond rating. The rating agencies look at the university's credit rating from a number of points, even if funds are not borrowed for a project. Sound financing is a must, as are a well-defined plan, balance sheet, and income statements.

Much is happening with the current project planning for the campus, with the east campus recreation center as the biggest project. The university is currently behind its peers and behind Northern Iowa and Iowa State in recreational opportunities for the students, both indoor and outdoor. The university is committed to catching up and providing the kind of recreation that students increasingly demand.

Parking and transportation will always be at the center of thinking along with the concentration utility issue. Reliability of utilities has to be paramount, especially with the hospital. Reliability costs money, and wise choices must be made and presented for options.

The university will present its strategic plan to the Board in a couple months, with completion in March. It is important to be able to react to that plan in this campus planning process. The ability to react to the University of Iowa Hospitals and Clinics' strategic planning process is also very important, as described in yesterday's meeting. Additionally, a response is needed for the UIHC's facility plan and planning work that John Staley spoke about. It is hoped to have the campus plan revisited entirely and presented in December, but the university hopes to present it this fall in order to receive reactions to plans for the next five years.

Regent-designee Gartner requested additional information on the planning of a new building. Does the decision process include the additional finances required for utility costs, so much more in maintenance costs, so much more in people costs, and are those costs calculated out on an annual basis? Is that information included in a separate line item, with the additional costs, when presented to the Regents?

Vice President True indicated that this is the case. Efforts also include the possibility of debt involvement, the effects on the balance sheet, etc. Costs are not limited to just the bricks and mortar. The costs of the utilities and of the programs must be integrated. The Board in the last two years has put in place a number of procedures that include the submission of timely information for review.

Regent-designee Gartner asked if money is ever set aside, as in an endowment or a specific fund, to fund the extra maintenance or the extra utilities.

Vice President True replied that it is dependent upon each project. Each case requires a decision as to where these funds will come from. At many private universities, new projects are occasionally endowed in terms of the operations; however, that is not as frequent at public universities. At the University of Iowa, as an example, a research building now being completed, Carver Biomedical Research building, is probably about a \$50 million building. Decisions were made and the Board knows exactly how the university is going to pay for the costs to support that building. The basis was also presented for what the investigators are doing, how the university can actually use that space, and, in turn, how the university would pay for the operation of that space, which is about \$1.8 million annually in incremental operative expense. It must be demonstrated to the university first, in this case by the College of Medicine, and then the university must demonstrate to the Board that the generation of sufficient overhead recoveries from the indirect costs from the research that goes on there can pay that marginal cost. This is the team's obligation and commitment to work with the individual units on campus to make sure that is demonstrated.

Money seldom is set aside in an endowment during a construction project, but in every instance the university must project how it will pay the costs. A building has never been completed but then not opened. That would be a travesty and an instance of very poor planning and thus must be avoided. The Board's current procedures drive the decision process through a gauntlet to make sure that all are satisfied as to the veracity of the information in each and every instance on major projects.

Regent-designee Gartner stated he is astounded at the amount of deferred maintenance. He wondered if a building is opened and plans are not in place to handle it, that the money would actually end up in deferred maintenance.

Vice President True agreed that is a valid point. There is ultimately only one source of money, and if there is more in new construction, then there is less for taking care of existing buildings. The university is absolutely committed to what the Board described earlier, that deferred maintenance is the number one capital priority. An example would be what is being done on campus now with the renovation of the chemistry building and renovation of the art building. The focus is on making sure the stewardship of the existing space is fulfilled. At the same time, everything possible is being done to raise money, not just from the state, but from private sources to do that very same thing. It was mentioned that an assessment or survey has been done of all of the buildings.

Vice President True went on to say he is proud of this and that it reflects what has been done in the last 10 or 15 years in fixing roofs and the like. The relative position is not as important as what needs to be accomplished. What is desired is to make accomplishments and be better stewards.

Comments by President Skorton

President Skorton wanted to give an additional response to Regent-designee Gartner's question. He feels it is very important that they strive to do better, not only in deferred maintenance but also in the identification of the source for funds to do maintenance. This has been challenging during the years of budget cuts in the general fund, coupled with the pressure of growth in both enrollments and in research activities. President Skorton indicated that Vice President True has a plan for advancing, every year, the percentage of deferred maintenance "backlog" to be retired in that year. This effort got derailed during the times of reduced budgets, but it's important to get back on track with it, as the Board has encouraged. He then asked Vice President True to revisit this point.

Vice President True stated that the numbers are typical and are 1 percent of replacement value, which is thought to be needed to invest. At one time the university was at a point of .75 percent or .80 percent, not quite 1 percent. Since then it has deteriorated over the last four years to about .60 percent. It is the goal to get back to the objective to enable the university to avoid additional deferred maintenance.

Comments by Warren Madden, Vice President of Business and Finance, Iowa State University

The Iowa State University master plan is one component of the planning process. A strategic plan is being developed and will be presented to the Board in March. All of the planning processes need to be integrated. This morning's focus is the physical campus master plan.

The last major update of Iowa State's plan was done in 1991, with the assistance of outside consultants Sasaki and Associates. That plan continues to be applicable today in terms of the general planning framework. It indicated the campus could accommodate about 2.9 million growth square feet of space over a 25- to 30-year period. This does not mean that this much square footage would be added to the campus, but that Iowa State has the ability to accommodate it if the programmatic needs are required and if funding sources would permit the construction. This is a guide and is intended to have some flexibility. Land use program locations have been addressed, as well as transportation systems and maintaining open space.

The first planning process at Iowa State University started more than 100 years ago. The Olmstead Architectural firm, involved in the design of the New York Central Park, was the first planning organization that worked with Iowa State University. Some of the trees and plantings in the central campus open spaces were actually laid out in that point in time.

The goals outlined are to create an environment that will support the mission, integrate with the campus strategic planning process, and attempt to maintain the image that Iowa State University possesses. This is important from a historical context and plays a role in the future development, the attraction of students, and the kinds of activity that go on at the university.

The campus, in general, is structured in concentric circles. A central core open green space is surrounded by academic and student service areas. In the next "ring" are research facilities. Beyond that are administrative services. There has been a movement of a number of support activities to the north of the railroad tracks that run through the north edge of the campus.

Finally, south of Lincoln Way are the basic public event facilities, the Iowa State Center, the football facilities, and the major entryway to the campus.

The plan organization tries to address transportation needs. During the daytime, vehicular access has been restricted. In cooperation with the students, the university has developed a major bus system called "Cy Ride." The students have committed substantial student fees to make that service free for them. It circulates the campus and brings people there from a number of directions. Attempts have been made to reduce traffic congestion and to clarify the routes by which individuals approach the campus. The main entryway is from the south, off US Highway 30 and Elwood Drive. Parking facilities are being continually developed. Iowa State University does not have the kind of concentration that the University of Iowa has. The Board previously approved a parking

structure at Iowa State University that is now in operation on the east side of the campus. The university is considering the development of another parking structure on the west side of the campus.

The plan organization is to maintain the open lawn space on the National Register of Historic Places. The Gerdin College of Business Building probably utilized the last major building site on the central core, and there will be no new proposals for buildings to enter into that green space.

Opportunities for growth at Iowa State University arise as pedestrian corridors are connected; there is a new north quadrangle area. There is also the opportunity to continue to develop courtyards. It is believed these are opportunities to seek outside private funding.

A tree, shrub and landscape replacement program has been started. The university has been fortunate to have good landscaping, both from the facility perspective and working with the College of Design. Trees do get old and need to be replaced, and a landscape replacement program has been started.

Vice President Madden presented the map of the campus master plan, which showed an elevated view going from Highway 30 to the south to 24th Street on the north. These are the boundaries of the core campus area. This plan does not include all of the outlying agricultural areas. They are included in another master plan, which was presented to the Board in the past. This map shows, and is believed to be, an effective organization of the campus in major land use areas, in terms of accommodating functional and college activities, and bringing people on to the campus.

The next focus is on the core central campus area. It shows existing buildings and potential building sites. These sites should be viewed as just that; the shapes on the map are not necessarily what will be done, but show what could be developed in the future.

Vice President Madden directed the Board's attention to the northwest campus area. There is the opportunity to develop several large facilities in this area of campus. Whether this will happen will depend upon funding, and the funding will depend upon the programmatic direction of the university and assessment of the full costs. Any buildings that are constructed in this area will have to be cost-justified, including the operating costs. The map shows some potential buildings south of Pammel Drive. This is the likely area for the development of chemistry facilities, a high priority for Iowa State University in the Regents' five-year capital plan. This future growth area should accommodate the university over the next 20 to 25 years.

Finally, Vice President Madden discussed what has happened in recent years and the location of some of the building sites. Iowa State University has wisely used its land resources plan, but the rate of growth and development remains to be seen. By plotting the growth of Iowa State University from its founding, on average, 100,000 square feet of space has been added, per year. It is speculation whether this will continue. Structures have also been removed. Various buildings have reached the end of their useful lives.

This summer, as approved by the Board of Regents, the university will take down two of the Towers dormitories that were constructed in the 1960s. The new Environmental Health and Safety building that is currently under construction will permit the closing and probably the removal of some other facilities.

The university is looking at the renovation of buildings and the replacement of buildings. The renovation of historic Morrill Hall has been approved, and the university is moving ahead with the project. There is a balance between preservation and replacement, and between retention of the historic character of the campus and developing facilities to meet future programmatic needs.

The university believes this master plan is a sound plan, outlining sound principles and will continue to follow it.

Comments by Morris Mikkelson, Associate Vice President for Facilities Management, University of Northern Iowa

Mr. Mikkelson indicated the University of Northern Iowa's approach is slightly different. In 2000, the campus master plan was presented to the Board. Today's discussion represents an update of the major elements of that master plan. It has been used and is being followed as a wonderful tool and framework for institutional planning.

The university uses a collaborative and an inclusive approach to campus planning. UNI has a broad-based facilities planning advisory committee that is made up of 15 members, two each from the Deans Council, the Department Heads Council, the Faculty Senate, the Student Government, and each division of the university. It is through the oversight of this committee that recommendations are made to the cabinet on all issues relating to campus planning issues, capital project priorities for the institution, and all space issues. The committee oversight ensures that the environment provided for the institution will follow the mission and vision of the university.

Additionally, since 2000, the university has had extended collaborative efforts with the cities of Cedar Falls and Waterloo and the Metropolitan Transit Administration.

Campus planning creates a sense of place. The campus plan and the capital plan must work together and support the strategic plan of the institution. The campus plan must maximize the effective and efficient use of the resources available to the university, prescribe lasting design principles for the institution, and delineate clear, expandable circulation patterns for the land use and for the special order of the campus.

The following strategic goals are supported by the campus plan: fostering a supportive living and learning environment with well-maintained and safe conditions and equipment; continuing to improve the capital, physical and informational resources at the institution; promoting a university culture of diversity, collegiality, mutual respect, organizational effectiveness, and shared responsibility by supporting safe and supportive working and living environments; and providing and maintaining appropriate resources for effective and

efficient operations by upgrading, constructing, and maintaining the buildings, grounds, and equipment.

The firm of Collier, Rolet & Scott, a planning firm based in Houston, Texas, developed the comprehensive campus plan for the University of Northern Iowa in 1968. The basis of that original plan was concentric campus zones around a compact unified campus center. The university has followed the plan. At the center of this plan are the library and the student union, which speaks to the institution's values of student focus, knowledge and research. Surrounding that zone is the academic college zone and the administration. Next are the physical education and recreational facilities, followed by the support facilities, residences, playing fields, parking, physical plant, and public-oriented facilities. The last zone was titled in the 1968 plan "married student residences, preserves, arboretum and golf course."

The UNI campus has 934 contiguous acres. The updating of the master plan in 2004 has not changed any of the land of interest to the institution since the 2000 plan.

In 1991 the institution conducted a space needs analysis to develop all space needs for the institution, and in 1998 a land use study of all the university land was conducted. Both of these studies have been the foundation upon which further planning has been done.

Since 2000, the university has conducted two major land use studies. One in the south is for a residential community to build around the UNI preserves, providing educational opportunities for both students and community residents.

The second land use study completed since 2000 is for the west campus development. This was a conceptual arrangement of all future athletic facilities envisioned: the recreation and wellness fields, the new McLeod Center Arena, and the Human Performance Center planning.

Potential building sites have not changed from 2000.

The long-range pedestrian circulation plan remains the same as it was in 2000, except for the addition of the portion on the west side and the pedestrian circulation on the south side.

The long-range vehicular circulation plan presented in 2000 remains the same except for the additions to the south and to the west.

The university is actively working with the city of Cedar Falls, the city of Waterloo, the Metropolitan Transit Administration, and the Federal Transit Administration on a multimodal transit facility for transit in the entire area. The university hopes to bring that information to the Board in the near future.

Regarding long-range utilities, additional electrical distribution plan has been added for the west portion of the campus.

Quite a bit of progress has been made on the long-range plan for the steam distribution system.

In addition to the major capital projects, the institution places a great deal of emphasis on repairs.

Since 2000, the university has had major projects of a smaller nature that affected particularly the envelope of the buildings, which is considered the roof, the walls, and the windows. The library has had extensive renovations on the exterior to prevent water penetration.

In all, it is believed that UNI has a wonderful campus. The physical characteristics reflect the institution's values, and all want the campus plan and the capital plan to work together to provide a physical environment that is well maintained and safe, and that supports and enhances learning and working.

President Downer questioned a reference in the report that UNI has conducted no formal energy audit since 1989 due to funding constraints. He asked whether the university would pursue efforts to change this and search out possible savings in utility costs.

Associate Vice President Mikkelsen replied that the university is going to do some energy audits.

Projects with payback periods of less than five to six years identified in the 1989 study have been completed. Efforts are currently under way with an emphasis on this issue, via a new campus committee that will look into the sustainability areas of all the campus and the new buildings.

President Downer thanked each of the institutions for their thorough and informative presentations. The Board is improving its oversight over the facilities. The presentations were excellent in all cases. The Board continues to encourage the collaboration among the institutions and the sharing of good ideas. With respect to both fire safety and deferred maintenance issues, the Board appreciates the institutions' diligence and encourages their continued attention to these issues.

President Downer noted the Board received the reports by general consent.

ITEM 5. INSTITUTIONAL AGREEMENTS, LEASES & EASMENTS

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| MOTION | Regent Becker moved to approve the following leases: <u>University of Iowa</u> – Lease agreement and lease amendment with Myriad Developers L.C. , lease renewals with Pharmacom Corporation, Innovative Software Engineering, Market Technology Systems, and American Institute of Sustainable Science and Technology, and farm |
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| | <p>lease renewals with Tom Williams and Scott Odgen. <u>Iowa State University</u> – Lease renewal with Epsilon Investment L.L.C. Regent Rokes seconded the motion. AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez NAY: None</p> <p>MOTION CARRIED UNANIMOUSLY.</p> |
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ITEM 6a. REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL

Executive Director Nichols stated today’s presentation is consistent with the Board’s direction for continuous process improvement and transformation.

Revisions to both Chapter 1 and Chapter 6 of the Board of Regents Policy Manual relate to the oversight of academic activities on the campuses. The changes represented in Items 6a and 6b represent the most significant revision of academic affairs oversight and policy by the Board in decades. The revisions contain delegation of significant authority to a new Regents’ enterprise-wide Council of Provosts working with the Board Office and under the oversight of the Board Committee of Education and Student Affairs. Also significant are changes in the current academic program review processes, which currently encompass up to 13 different steps for approval, review and oversight. With the changes, these will be reduced to about seven steps, consistent with the Board’s direction to review with an eye for lean processes and streamlined procedures.

These changes also allow staff to work more collaboratively with the provosts on higher-level statewide policy matters and exceptional program reviews where there are issues, rather than focusing time and attention on routine paperwork and merely mechanical processes as in the past. There is a very strong consensus of support from institutions and the Board Office based on the shared view that these changes will serve the Board and the enterprise well in the future.

Board Office staff recommended the Regents waive the first reading of these changes and vote to give final approval today to begin immediate implementation, in concert with Regent Becker and others in preparation for the March meeting of the Education and Student Affairs Committee. It may be necessary to amend the details of the language at a later time as implementation proceeds, but approval today will allow the process to begin. Executive Director Nichols assured the Regents and institution heads that he will be directly involved, on the Board’s behalf, in working through the transition with the provosts and the Board Office staff in the weeks to come.

Executive Director Nichols also acknowledged the vital role that Carol Bradley, a senior consultant to the Board, played in bringing forth both the substance of the changes and building the necessary consensus among institutional staff for implementation. Dr. Bradley has agreed to assist with initial implementation during the next few months.

Board approval is sought for revisions to Chapter 1 in Item 6a as presented; upon conclusion of this action, there are two additional minor revisions to 6b for the Board to consider before final approval.

Regent-designee Gartner questioned if the Iowa Public Radio Executive Council would be a subject for discussion before today's approval. He is not sure if the council's structure is the best form of governance. A five-person Board is right; however, he questioned whether the new executive director should be a council member. Regent-designee Gartner believes that this person, as an employee who reports to the Board, probably shouldn't be a member of the council. He also questioned the value of having a non-voting member of the council as sort of a second-class citizen. He wondered if the Regents would consider an amendment to simply have a five-member voting council, one member appointed by each university president and two members appointed by the Board of Regents, all of whom have voting power.

President Downer replied that he made these exact suggestions to Vice President Madden yesterday, with the Iowa Public Radio executive director not serving as a member of the council with five voting members. He proposed that Regent-designee Gartner's suggestion be considered in the final refinement pursuant to recommendations that come out of Vice President Madden's group.

Regent Newlin suggested that one of the two council members appointed by the Regents be a representative of the Board Office.

President Downer agreed this might be a possibility. He also said that having a representative of a "Friends" group may make sense, but it should be effective only when all three of the stations are a part of such a group. Currently, only one of the three stations has a friends group. He suggested that the three university representatives look at the council structure and report back to the Board with specifics for a final recommendation.

Regent-designee Gartner stated that it is his understanding that this will be voted on today.

Executive Director Nichols indicated that the references in today's materials state that when the Iowa Public Radio council is created, it will report to the Board through the Council of Provosts and the Board's Education and Student Affairs Committee.

Regent-designee Gartner stated that he would like to incorporate Regent Newlin's suggestion for a five-member voting Board, with one member appointed by each of the three university presidents and two members appointed by the Board of Regents, one of whom could include a Regent or a member of the Regent staff.

President Skorton stated that he agrees with Regent-designee Gartner's points. He referred to a previous reaction to the consultant's report on the public radio stations and how delegation was made to the representatives to the universities to implement it.

Vice President Madden stated that the three university members of the executive council met yesterday. They had indicated to the search firm that the executive director would not

be a voting member of the council, and all were in concurrence. The council is waiting for the Board's guidance about the other two council members. The discussions today are consistent with the council's discussions to date. The Board needs to indicate the kinds of people they believe are appropriate to represent the Regents' interest.

Regent Becker suggested that the Board just change the paragraph in the proposed policy, since there seems to be significant consensus. If the Board needs to make modifications, that can be done when this issue is revisited. Other sections may need to be refined as well.

President Downer stated that Executive Director Nichols had developed specific language on this issue.

Mr. Nichols read: "Membership: The Iowa Public Radio Executive Council shall consist of five voting members, including an appointee of the president of each of the Regent universities, and two members appointed by the Board of Regents."

Regent Newlin and President Downer stated the sense of the Board, additionally, was that the executive director of IPR not be a voting member of the IPR Executive Council.

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| MOTION | Regent Becker moved to modify proposed policy section 1.06c to read: "Membership: The Iowa Public Radio Executive Council shall consist of five voting members, including an appointee of the president of each Regent university and two members appointed by the Board of Regents." Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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| MOTION | Regent Newlin moved to approve the policy in item 6A as amended, and waive the second reading for policy section 1.06c and approve the section as amended. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 6b. REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL

Executive Director Nichols stated that Iowa State University had pointed out that when Chapter 6 was re-drafted, two items earlier removed were accidentally reprinted on page 71 in Attachment B, Section 6.17, entitled “Faculty Consulting Analysis,” which was printed inadvertently. This is a report that is no longer prepared. This will be stricken from the proposal and redrafted, with the Board’s approval.

Likewise, on page 75, Section 6.23, “International Agreement,” is also a former report that was stricken earlier and was mistakenly reprinted.

Regent-designee Gartner stated that attention should be drawn to pages 8 and 9, regarding transfer student admission items under Section 6.01.B, items 2b and 2d. He noted that 2b should state “subject to the restriction in 2d,” otherwise the two items would be contradictory. He also suggested that on page 66, Section 6.11, be amended from “It is the policy of the Board, expressly the institutions of higher education under its control, to permit students and staff to hear diverse points of view.” He proposed that it may be nicer to say “encourage” rather than “hear.”

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| MOTION | Regent Becker moved to adopt the proposed changes in Item 6b, waiving final reading. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 7. FINAL APPROVAL OF THE CHANGE IN INVESTMENT POLICY

Director Elliott noted at the December meeting of the Board, its Investment Committee discussed changes to the investment policy. The December presentation was the first reading of the proposal. The policy change is brought to the Board today for final approval.

The changes to the investment policy reflect the verbiage regarding “soft dollars,” which allows Regent fund managers to exercise best execution in prices when using soft dollars, but also requires them to report the soft dollars to the Board’s investment advisor. The Board’s investment advisor is to monitor those uses of soft dollars and report to the Investment Committee.

Regent-designee Gartner requested that a spelling correction be made which changes “manger” to “manager” in the last paragraph.

Regent Newlin asked how much, in terms of gross dollars, fund managers spend on soft dollars per year.

Director Elliott replied it is unknown at this point. When a change in fund managers was made late last year, one fund manager requested specific soft dollar language in the

contract. The proposed policy change would authorize the fund manager to use soft dollars with certain guidelines.

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| MOTION | Regent Arbisser moved to give final approval to revisions to Chapter 7 for soft dollars. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 8. FINAL APPROVAL OF TUITION AND MANDATORY FEE CHANGES

Associate Director Hendrickson commented that the Board in December approved the majority of the tuition and mandatory fees. However, between the November and the December Board meetings, three changes were made that resulted in increases. These changes are brought to the Board today for approval. The University of Iowa's MBA full-time resident and non-resident tuition, as the Board requested, was adjusted, and the University of Northern Iowa's mandatory health fee and student services fee were changed as requested by students, with the 30-day notification was given to students as required by the Iowa Code.

Regent Rokes stated that while this isn't a huge increase, students work extra hours or take out loans to pay for these increases.

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| MOTION | Regent Arbisser moved to approve: a) University of Iowa's 2005-06 tuition for MBA full-time resident students of \$1,470 and non-resident students of \$2,698; b) University of Northern Iowa's 2005-06 mandatory health fees of \$144 and student services fees of \$222. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 9. REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

Regent Newlin stated the committee met on Wednesday and that the minutes from the November 2004 meeting were not available but will be included at the next Board meeting in March.

The committee reviewed its past activities and proposed work plan through February 2006. Summaries were presented of the first report on semi-annual claims and impending litigation at each institution. The summaries addressed areas of strengths, areas needing

improvement, and trends. The report also outlined initiatives the institutions are taking to address these issues.

Representatives of the State Auditor's Office were present for review of the University of Iowa's controls over its accounts receivable system. The university reported that all of the auditor's recommendations have been accomplished.

The next item was the revenue bond funds audit report. Reports from 26 enterprises at the Regent universities were presented. The universities and their auditors were questioned regarding the audit reports. The University of Iowa audits were conducted by Deloitte and Touche; Iowa State University's, by state auditors; and University of Northern Iowa's, by Carney, Alexander.

The committee discussed the necessity of cash flow statements for bonded enterprise statements. The auditor for the University of Iowa bonded enterprises qualified its opinion for the lack of cash flow statements. Auditors for Iowa State University and the University of Northern Iowa did not qualify their opinions, even though the cash flow statements were not presented.

The committee asked the state auditor representatives if they had discussed this issue with the Governmental Accounting Standards Board. They replied that the cash flow statements were not required for these types of reports.

University of Iowa Hospitals and Clinics audit report and its auditor, KPMG, presented the 2004 audit report. No findings were reported. The management letter is in process and will be forwarded to the committee upon completion. Regent Newlin hoped to have that letter before the next Board meeting.

The universities' internal auditors gave a report and observations for each.

The committee took action to change the definition of follow-up issues for audits marked with the color green on the audits dashboard. The definition will be changed to include "follow-up report to be completed by or within three months of the original line and time frame."

The internal auditors also discussed the risk assessment and plans for the upcoming internal audit period. Plans are progressing for filling the director of internal audit, who will be located at the University of Iowa and will lead the Regents' internal audits efforts in the future. The committee working on that is hoping that that position will be filled soon.

Regent-designee Gartner asked about the one auditor. He noticed that certain things were up for bid again, and whether the Board wants one auditor if there are expiration dates that differ at each institution. He wondered if the Audit Committee would want to consider, as each one comes up, setting an expiration date that will coincide so that ultimately all expiration dates are the same, whether at one, two or three years.

Regent Newlin said he thinks there are two that are being negotiated right now. There was one that was still in place. Those two could be done that way.

President Downer asked the university vice presidents of finance if the universities were on any fixed engagement for that five-year period, or if they could rebid it in a shorter period of time.

Vice President True responded that the University of Iowa was in the process of bidding. The university is on the cusp of reconsidering its audit arrangements, both for the Hospitals and Clinics and other bonded audits. He said they could consider any length of time to make that work. The question wouldn't pertain to them, because they have infinite flexibility right now.

He added that in looking at audit firms, different firms provide a whole package while others provide parts, so they can take the best economic arrangement. Looking at capabilities, in the joint bidding that was done in the past, the Hospitals and Clinics have elected to make sure they had firms with unique and special expertise in health care. That wasn't a critical factor with some of the other bonded enterprises.

Regent Becker said the Board might want to consider the policy of individual institutions picking someone or doing it as a group, and whether they want to wait until they have a new director of the centralized audit function. Maybe a short-term extension should be made of those that are in the bid process now, until the new director is hired and can look at that feasibility. Her question was whether one organization can conduct timely audits across three large institutions, including UIHC.

Regent-designee Gartner said he thought UIHC required specialized skills. He had one more item for discussion, the reporting relationship of the audit and auditors. If this were a for-profit enterprise, the auditors would report to the Board. He said it's very awkward for an auditor to report to management – who determines his or her engagement – when he or she might want to criticize management. The Regents may want to look at the reporting relationship, especially as there's more focus on auditing, more rules on auditing, and more liability for the Board on auditing.

President Downer said the Audit Committee is the appropriate venue for inquiry on these matters.

Regent Newlin said audit committees in other types of organization do report to the board. He asked whether Iowa State University was currently bidding.

Vice President Madden, Iowa State University, responded affirmatively. The engagement letters are on a year-to-year basis, but normally there is an expectation that if they're performing satisfactorily, it would be a three- to five-year cycle. The audit firms incur some start-up costs when they come into a new organization. Contractually or legally, they are not obligated to go beyond each year at a time, in part because if they don't perform at an appropriate level, the organization wants the ability to make changes.

President Koob, University of Northern Iowa, said the university's audit cycle was similar to Iowa State University's. Its five-year contract expires at the end of this year.

President Skorton, University of Iowa, said it was a timely question and felt it was important to get clear input from the Board. He suggested four procedural issues: the organization of internal audit functions at the universities, which are being consolidated; the engagement with external private audit firms on behalf of the universities in general; the question of whether UIHC may need to have different auditor with expertise in that area; and the interaction with the State Auditor's Office. As the person who will be responsible for hiring the first Regent-wide internal auditor director, President Skorton thought that the Audit Committee or a subset be available to advise him – for example, to help develop the details of the job description and the advertisement for the internal auditor, the scope of control, and reporting relationships.

President Skorton said they were within weeks of having ready the job description and advertisement for the internal audit position. Up to this point, they planned to develop a consolidated internal audit function, reporting to one university, because that is how it was presented to the Board in earlier discussions. He did not feel that precluded coordinating the external bids for audit function, nor have the maximum coordination of the way they interact with the state auditor.

Regent-designee Gartner asked about the external audits. He asked that perhaps the Board should consider joint expiration dates, so that if the day comes when it wants to hire one external auditor or two, that could be accomplished without having to wait for expirations. Secondly, looking at reporting relationships, he thought the state auditor should be one of the places you go for bids given the office's great competency in audits.

Regent Becker questioned whether the internal auditor should be separate from a person advising the Board on external audits.

President Downer asked Regent Newlin if Audit Committee members could be designated to follow up on President Skorton's suggestions regarding the internal audit selection.

Regent Newlin suggested that President Downer also be involved. He asked whether they should consider a one- or two-year timeframe and then have the flexibility of deciding.

Vice President True said the three vice presidents could get together and make some specific suggestions in a short time. If the universities' timeframes are close now, they could run a one-year extension and coordinate.

Vice President Madden said one of the transformation issues discussed in December for FY 2005 was the external audit. They have a draft of a white paper in process.

President Downer asked when that white paper would be available. Vice President Madden said the drafts could be finalized next week.

President Downer said because of the proximity to June 30, that if the Board is planning to pursue that for the coming year, the Audit Committee should plan to meet in March, so these things could be dealt with and a schedule could be determined. He said the committee could look at the white paper and be prepared to discuss and perhaps act in March.

Executive Director Nichols said depending on when this is ready, they could decide if they wanted a telephone special meeting or wanted to meet at the time of the Board meeting in March. Either one would work.

President Downer accepted the report by general consent.

President Skorton introduced the newest member of the University of Iowa's central administrative team. Dr. Meredith Hay will be the new vice president for research at the university beginning June 1, 2005. She is currently assistant to the vice president for economic affairs of the University of Missouri and a professor in medical pharmacology and physiology and biomedical sciences. Dr. Hay is an internationally recognized biomedical scholar and a very experienced administrator who has a lot of exciting, bold new ideas.

Dr. Hay said she was delighted to be part of the Iowa team. She said it was a tremendous opportunity for her and looked forward to coming back to the state to help drive research for the university and the state.

ITEM 10. COMMITTEE REPORT – ECONOMIC DEVELOPMENT COMMITTEE

President Downer noted at yesterday's meeting, the committee received a comprehensive report about the Bioscience Alliance created as a result of the Battelle Report. The Regent institutions have participants in each of the committees that have been formed. As part of that endeavor, the Commercialization Committee, on which he is serving, will meet tomorrow.

The Economic Development committee also had a review by Vice President Decker, Vice Provost Bloedel and Director Pilkington about their involvement in the alliance, all of which has been substantial. Information was provided about the Governor's recommendations for its funding.

Vice President Decker reported on the University of Iowa's Grow Iowa Values Fund project, for which it has become possible to acquire existing facilities at a lower price than constructing a new facility.

Vice Provost Bloedel reported on the biotechnology risk assessment project. It was reported that they were going to have a presidential initiative with respect to review of patent policies and exchange of these policies among the universities in an attempt to ascertain the best features of each, as well as to review areas where change might be appropriate to lead to the utilization and commercialization to the maximum extent previously thought possible.

President Downer asked the report be received by general consent.

ITEM 11. COSTS OF BOND ISSUANCE

Facilities Officer Racki stated that the Board had schedules of costs of issuance for the bonds that were issued between June and November 2004.

President Downer said the report would be accepted by general consent.

ITEM 12. BOND REFUNDINGS

A. Preliminary Resolution for the Sale of up to \$16 million S.U.I Academic Building Revenue refunding Bonds, Series S.U.I 2005

Facilities Officer Racki said there was background information in the agenda item on how refundings of bonds are pursued with the universities, Springsted and Ahlers. Some potential refunding opportunities have been discussed, assuming that interest rates remain as they currently are. The bonds to be refunded are callable on July 1, 2005.

The Board's materials include the preliminary resolutions. The refunding bonds would be sold at the March meeting and will close in April, which meets the requirements of the IRS for current refunding bonds. The two proposed refunding issues are Academic Building Revenue Bond refundings that impact future tuition replacement appropriations.

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| MOTION | Regent Arbisser moved to make a motion to adopt a resolution authorizing the Executive Director to affix the date(s) for sale of up to \$16 million Academic Building Refunding Bond Series S.U.I 2005. Regent Becker seconded the motion and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez. NAY: None. ABSENT: None. MOTION CARRIED UNANIMOUSLY. |
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President Downer referenced a previous discussion regarding the dollar amount of double tax-exempt bonds that can be absorbed in the Iowa market. President Downer asked Ed Bittle, bond counsel, to outline the process.

Mr. Bittle of Ahlers & Cooney, the Board's bond counsel, said that two or three years ago a study was done to see how many bonds could be offered at any one time to take maximum advantage of the double tax-exempt status of the Board of Regents' bonds. That study indicated that about \$25 million is the maximum amount that the market will absorb and give the maximum advantage to the double tax-exempt status for the bonds. Springsted, the Board's financial advisor, monitors and tests the market with underwriters

to see how the proposed amount of bonds to be sold is going to be received at any given time.

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| MOTION | Regent Arbisser made a motion to adopt a resolution authorizing the Executive Director to affix the date(s) for sale of up to \$5,500,000 Academic Building Refunding Bond Series UNI 2005. Regent Becker seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez NAY: None. ABSENT: None. MOTION CARRIED UNANIMOUSLY. |
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ITEM 13A. UPDATE ON KINNICK STADIUM RENOVATION

Vice President True said that by the time the Board was finished meeting, the university hoped to be in a position to recommend to the Board an award for the sale of bonds for this project. There were some complications that are being worked on.

He talked briefly about the financing and said that the university was presenting an opportunity for a first sale of tax-exempt bonds for this project, which would be \$25 million. Earlier, the university had not anticipated doing an advanced refunding of outstanding athletic enterprise bonds, but because of interest rate reductions and the opportunity to retool the bond covenants, both the financial advisor and bond counsel recommended that it take the opportunity today to advance refund the current outstanding roughly \$10 million of athletic enterprise bonds and to issue an additional \$15 million in new money bonds that would go toward the Kinnick Stadium renovation.

Vice President True said other activities are occurring, including concessions aspects. Last meeting they talked about the scoreboard, which will be financed out of a future taxable bond issue.

In the next couple of months, the university and the Board bond counsel and financial advisor will determine the mix of taxable and tax-exempt bonds for the 2005 sale in August. After that, there would be two additional sales to complete the project that would be next year.

Mr. Bowsby, University of Iowa director of athletics, said the staff have been pleased with what they have seen so far. From a financial standpoint, they have 43 of 46 boxes committed; 23 of those are under contract with deposits. They are working their way through the rest of them.

The conversion of letters of Intent to contracts with deposits on the indoor club seats is up and running right now. The university has commitments for 103 of the 130 seats, which is up from the low 90s at the last meeting. Director Bowsby said they could use a few more of the outdoor club seats; 1,150 of the 1,150 seats are committed. That is the last piece of the project in terms of the premium amenities. They have a web site that individuals can use to identify their seats, look at their perspective sidelines and make their selection. They have five to ten accounts per day that make selections. The indoor club seat selection will play itself out within the next 30 days. After that, the outdoor club seat selection process will take place.

From a capital campaign standpoint, the last report showed \$7.9 million in gifts; the amount now is about \$8.2 million, with two additional seven-figure gifts. Many naming opportunities within the facility are still available, and the development staff continues to work on that aspect. In July, they will kick off a grass-roots campaign they anticipate will yield \$2 million in additional contributions pledged over the next five years.

Athletic Director Bowsby said the fundraising effort has progressed as expected. It's a \$10 million goal. They thought all along that \$12-13 million was not too much of a stretch.

Mr. Lehnertz, director of campus and facilities planning, said there has been a lot of progress on the project. The university is hitting targets for both the budget and the construction phases of the project.

At the last meeting, all the contracts had been awarded that had been bid, except one. They recommended rejecting the bids on the build-out of the south end zone. Since that time, they have repackaged that bid package into three smaller bid packages. Those bids were received last week and the results improved by roughly \$852,000. The number of contractors increased from two to ten with the three bid packages. The increased competition helped to save money.

On the construction side, at the last meeting, they were finishing up excavation and preparing for the form work on the project. When this report was submitted, they had started the form work. They are now about 70 percent finished with the concrete form work in the south end zone. In the next week and a half, they will be erecting steel. They are still ahead of the construction schedule.

President Downer asked how far in advance of the beginning of the 2005 football season was it anticipated that the south end zone would be completed. Director Lehnertz said the end zone will be substantially complete by the time the season begins. Undoubtedly, there will be some items that don't affect occupancy that will continue. They will have several weeks of cushion between the substantial completion and the beginning of the season. They have to allow the Athletic Department, Public Safety and others the opportunity to get in and make sure that not only is the building safe, but that they've got their programming set up. The schedule takes into account being able to get in and prepare for the season.

Director Lehnertz said \$30,400,000 worth of work has been bid. Only two bid packages are left, but they represent 17 individual contracts or bids. The largest bid package of the

entire project, the build-out of the press box, is roughly \$30 million. The two remaining bid packages, approximately one-half of the project, will be bid at the end of this month. Based on the trend seen on the project so far and the interest they have seen from contractors to date on these final two packages, they're hopeful to continue the success.

The report was accepted by general consent.

ITEM 14. REPORT OF THE UNIVERSITY OF IOWA HOSPITALS AND CLINICS EXECUTIVE BOARD COMMITTEE

Regent Arbisser said the minutes from the November 2004 committee meeting were unavailable for approval. Approval of those minutes is expected in March.

He said the committee received the UIHC director's report, which included discussion on the University of Iowa Hospitals and Clinics strategic plan, JCAHO site visit, Medicaid issues, leadership development, and status as a workplace of choice.

UIHC presented an assessment of its strategic plan development. The committee received an update on the hospitals' operation for the first two months of fiscal year 2005 and detailed information on UIHC plans for capital expenditures. UIHC provided details of explanation of various transactions that occurred between UIHC and Carver College of Medicine (CCOM), including the payment plans and off-site clinics.

Committee members are continuing to review the work plan through February 2005. No changes were made.

Regent Arbisser said the committee resolved to commend UIHC leadership and President Skorton for their responsiveness to evolving Regent governance, which included providing additional timely information and continual improvements.

President Downer accepted the report by general consent.

ITEM 15. RESIDENCY CLASSIFICATION APPEAL

President Downer said there was an appeal filed before the Board with respect to a residency classification.

Associate Counsel Anderson said the Inter-Institutional Committee's decision on residency classification was before the Board. The recommendation is that the Board affirm the committee's decision.

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| MOTION | Regent Rokes moved to affirm the committee's decision on residency classification and deny the appeal. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 16A. NAMING PHYSICS ADDITION AT IOWA STATE UNIVERSITY

President Geoffroy said the Physics Department has proposed to name a 1968 addition to the Physics Building in honor of Dr. Daniel J. Zaffarano, who had recently passed away. Dr. Zaffarano had a profound impact on the Physics Department as a faculty member and on research at the university in his administrative capacities.

The university's Naming Committee reviewed the proposal. President Geoffroy said he endorses renaming the addition the Daniel J. Zaffarano Physics Addition at Iowa State University.

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| MOTION | Regent Becker moved to approve the naming. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEM 17. INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS

A. Iowa State University

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| MOTION | Regent Becker moved to approve the following major capital projects, as defined by Board policy; (1) College of Veterinary Medicine-Teaching Hospital and Diagnostics Laboratory Renovation project (\$51,050,000); (2) Coover Hall Addition and Renovation project (\$16,500,000); (3) Dairy/Animal Science Education and Discovery Facility project (\$15,350,000) and (4) Memorial Union Parking Facility – Structural Repairs project (\$3,400,000). Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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B. University of Iowa

President Downer asked that the Dey House Addition-Glenn Schaeffer Library project be acted on separately because he has a conflict of interest and would not be able to vote.

Vice President True said there were three items to be presented. The first is UIHC's Patient and Visitor Services Center project.

Mr. Staley, senior associate director of UIHC, introduced William Schuster, who is principal with Design Professionals Collaborative of Cedar Rapids, to present the schematic design for the Patients and Visitor Services Center project.

As was noted in the request for permission to proceed with planning for this project, the UIHC has faced a significant bottlenecks and crowded conditions in both vehicular traffic and of patients, visitors, students and staff members coming and going from the UIHC's main entrance and main entrance lobby.

Because of the high volume of traffic, a plan was devised in the early 1990s to restructure the UIHC's roadway system and develop a weather-protected canopy for arriving patients and visitors, with links to the hospital parking ramps and to establish separate locations for patient and visitor arrival and departure. The first floor of the Carver Pavilion was designated as the site for arriving patients and visitors, through development of the new Patient and Visitor Services Center. The present main lobby was designated for subsequent redevelopment as a discharge center.

Completion of this project will make it possible to separate locations for incoming and outgoing traffic and avoid congestion. The new Patient and Visitor Services Center will provide numerous service enhancements, which will include overcoming crowded conditions in the current main lobby. This will provide privacy for patients during the registration process and expand the volunteer gift shop, which serves the needs of 14,000 patients, visitors, students and staff on a daily basis.

These features of the Patient and Visitor Services Center will provide several significant benefits.

Mr. Schuster presented slides showing the Patient and Visitor Services Center and suggested the Board look at the project as if they were patients. He explained the design.

There are ample restrooms available, which now includes a family restroom.

Regent Becker asked how wheelchairs could work easily with the revolving doors. Mr. Schuster said UIHC had discussed that in terms of energy efficiency. The space did not lend itself to sliding doors. There are automatic doorways available for individuals who prefer not to use the revolving doors. Regent Becker said having the additional option eased her concern.

Mr. Schuster said individuals also could press a button that would cause the revolving door to rotate at half speed.

Regent Rokes asked if valets would be available. Mr. Schuster said this will be more of an admission lobby. Valets will be outside in an area that is heated. He said there will also be a small place to the north behind the information area, for valet services.

Mr. Staley said that service is available now at the main entrance, with a weather protected area. There will be radiant heat available.

In showing the corridor areas, Mr. Schuster said the Board member would not see many doors, because they were trying to enhance accessibility.

They anticipate the project to start this summer and take approximately 12-14 months to complete.

President Downer said he thought from reading the item in the agenda that there was a longer timeline. The materials state the construction will commence in spring of 2005, with completion anticipated in the summer of 2007. He wondered why a project of this size would take that long. Mr. Schuster said the most critical item in this project is making sure that as they renovate this area, they are still providing north/south circulation through this space, preserving the fire separations. And there must always be one access for staff, patients and visitors to the Emergency Treatment Center (ETC). He said he didn't see the phasing part as being a major issue. Mr. Schuster said the intent was to complete construction by the calendar year end 2006 and open in December 2006.

OLD CAPITOL – FIRE RESTORATION AND BUILDING IMPROVEMENTS, PHASE 3

Vice President True said that University of Iowa President Emeritus Sandy Boyd, who was not present, is leading the effort to complete the Old Capitol fire restoration and building improvements. Pam Trippe, Mr. Boyd's associate, discussed the details.

The university proposed to convert the area to storage and office space, but more importantly, for educational space. The cost is shown at \$1 million. Mr. Boyd is leading a fund-raising campaign that deals with two aspects of this: first, to raise \$1 million in bricks and mortar toward the project, and secondly, to raise \$1 million of endowment to support the programs. The day the program was announced by Dr. Boyd, there were pledges of \$600,000.

This is the last of three phases for the Old Capitol. With the Board's permission, the university would be prepared in over a year to celebrate the re-opening of the Old Capitol.

DEY HOUSE ADDITION – GLEN SCHAEFFER LIBRARY

Vice President True said this project has been under way for some time. The Dey House is on Clinton Street, not far from the president's home. It dates from 1850 and was converted a number of years ago into the home of the Writers Workshop, which is certainly the most well-known program at the University of Iowa and well respected.

The workshop's needs greatly exceed the available space at this location. The initial gift of Glen Schaeffer let the university begin a process to build an addition that would complement the Dey House, be along the Iowa River, and be a great place for the Iowa Writers Workshop to thrive in the future.

The program was presented but the university has struggled with budget issues. The university recommends the award of the contract for construction to McComas-Lacina, based on its earlier bidding and the negotiated change orders. The university worked closely with the Board Office to come up with a conclusion they could support.

Brad Brown is the architect that led the last stages in trying to get the project within budget. The university believes this represents value and is an important project for the Writers Workshop.

Regent Becker said she liked the original design of the Dey House. The second view wasn't quite as spectacular, but in a time of tight budgets, she felt it was a reasonable modification.

Vice President True said the university was most interested at first in saving the program. He said he still feels it's a lovely view, but they did have to sacrifice some elements to preserve the program.

Regent-designee Gartner said he agreed with Regent Becker. He thought the original design was spectacular and wondered if it was more prudent to try to raise the extra money to stay with the original plan, rather than cut back to something that's nice but not great. He thought the university could have gone to a wide array of people for funding.

Vice President True said this is one of the things the university struggles with – doing it the best they can while compromising on price. They've had a lot of experience in the last four years in making compromises.

He said the University of Iowa Foundation is working very diligently to raise the \$2 million. The university had a program that the Writers Workshop embraced, that they could afford without taking away from anything else and without the risk of fund-raising that may or may not be successful.

President Skorton said they all agreed with the characterizations of the view and the initial thought they would be able to fund it. As a contingency, they wanted to find some way to allow the programmatic aspects to go forward.

President Skorton said he supported the concept and details of the contingency plan; however, they are still willing to "put their shoulder back to the wheel" and do the fund-raising to finish it up.

Regent-designee Gartner said it seemed like a huge trade-off for the building the way it is for the difference of \$390,000. He said if it were Vision Iowa, they would say, let's do it the original way and find another pot of money elsewhere.

Regent Becker said she didn't want to hold things up and didn't know if the university wanted the Board to move forward and approve the contingency or to say no to give it extra time to see if the additional funds can be found. In the big picture, it doesn't sound like a huge amount of money.

Vice President True said they'd like to withdraw the university's requests related to the Dey House Addition, take a look at how much they could bring back to original vision and present that alternative to the Board in March. There are a lot of things they may choose not to put back, like the wood clad windows, and compromise there and not on the overall feel of the addition. They would be pleased to do that in consultation with the Board Office.

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| MOTION | Regent Arbisser moved to approve the following items of the University of Iowa Capital Registry: (1) Schematic design and project description and budget (\$4,406,500) for the University Hospitals and Clinics—Patient and Visitor Services Center; (2) Program statement, schematic design, and project description and budget (\$1,350,000) for the Old Capitol—Fire Restoration and Building Improvements/Phase 3. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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ITEMS 13A and B. KINNICK STADIUM BONDS

Mr. Bittle of Ahlers & Cooney, the Regent's bond counsel, reported that there were substantial irregularities because of a malfunctioning clock on the fax machine, which have cast doubt on the integrity of the bidding process. He reported that Iowa Code Section 75.4 and the Official Terms of Offering authorize the rejection of all bids. Section 75.4 authorizes the bonds to be sold at private sale following such rejection on terms not less favorable to the public than the most favorable bid made by a bona fide and responsible bidder at the last advertised sale. He further reported that it had been determined after a full investigation that the most favorable bidder in fact did submit its fax bid on time and has resubmitted its bid for consideration in the event the Board rejects all bids. He reported the next lowest bidder has stated no objection to such an award.

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| MOTION | Regent Arbisser moved to reject all bids received at public sale, due to substantial irregularities, as recommended by bond counsel. Regent Becker seconded the motion and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez. NAY: None. ABSENT: None. MOTION CARRIED UNANIMOUSLY. |
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President Downer asked whether the terms used in the agenda were sufficiently broad to permit the type of action that he was proposing. Mr. Bittle said it was within statutory authority for a public bond sale.

Mr. LeMay of Springsted presented the results of the sale. There were initially four bidders signed up and they all submitted bids. The firms were:

- AG Edwards
- JP Morgan Securities
- UBS Financial Services
- Prager, Sealy and Company

These bonds were rated by S&P and Moody's. They have identical ratings, AA- for S&P and AA3 from Moody's. The low bid was from Edward D. Jones for a true interest cost of 4.04678 percent. The second best bid was approximately 17 basis points more than of that.

What they typically do on these issues is to compare the rates (yields) against the national index, the Delta Scale. In this case, the yields the Board received on the bonds exceeded the AAA bond level on the Delta Scale by 20 basis points in the earlier years, up to 30 basis points at the far end of the scale. The bonds performed extremely well, especially considering the market conditions at the present time.

There were two elements to the bond financing. One was a new money piece for the stadium and another was approximately \$10 million of refunding. The refunding was done, not necessarily for purposes of savings, but to consolidate debt and allow the bond covenants to be rewritten. They expected moderate savings. With the yields they received on the bonds today, the net present value savings from this approximately \$10 million refinancing was \$268,000. That amounts to a 2.6 percent savings, based on refunded debt service. The results of the sale were extremely favorable.

Regent-designee Gartner asked if the winning bid was a bad bid. Mr. LeMay said yes; had the bid from Edward D. Jones not been the low bid, there would have been no issue. Regent-designee Gartner asked if they were absolutely convinced it was a malfunction in the clock. Mr. LeMay said it was a problem with the fax clocks, both theirs and the one the Board used.

Mr. Bittle said they have confirmed the date the bid was submitted and when it was received, with MCI. He said it was received before 10:00 am. He said the biggest concern they and Springsted had is that they made sure they honored the integrity of the process and that everyone was satisfied. He said they have talked with everyone and everyone is satisfied, including the other bidder.

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| MOTION | Regent Arbisser made a motion to approve a resolution providing for the sale and award of \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005, and approving and authorizing the agreement of such sale and award upon terms not less favorable to the public than |
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| | <p>the most favorable bid made by a bona fide and responsible bidder at the last advertised sale bid. Regent Rokes seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez NAY: None. ABSENT: none</p> <p>MOTION CARRIED UNANIMOUSLY.</p> |
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Mr. Bittle said another matter is to approve the resolution authorizing the issuance. As a result of the discussion and questions raised at the December 2004 Board meeting, they reviewed whether it was possible to refund the outstanding athletic bonds.

Mr. Bittle said that working with the university and Springsted, they were able to put together a bond resolution that accomplished a lot of the things that they thought should be accomplished. He thought it met a number of the concerns the Board had raised over time, including a redefinition of the enterprise and how the funds flowed as well as putting in the kinds of protections the Board desired. He believes the revised bond resolution will satisfy a lot of concerns that the athletic department and university were glad to have addressed.

He said it also approves a refunding trust agreement. About \$10 million of these proceeds will go into the trust agreement with Wells Fargo and be held until 2011, when the outstanding bonds can be redeemed. They will be invested in direct government obligations that will secure that payment. This is different from the ordinary bond resolution, but it has all the elements needed to do this transaction.

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| MOTION | <p>Regent Arbisser moved for a resolution authorizing the issuance of not to exceed \$120,000,000 Athletic Facilities Revenue Bonds to be issued in more than one series to finance the costs of the project including refunding outstanding bonds, funding a reserve fund and paying costs of issuance and providing for the issuance and securing the payment of \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005, for the purpose of refunding outstanding bonds and defraying costs of improving, remodeling, repairing, furnishing, equipping, and building additions to Kinnick Stadium and related facilities located on the campus of The State University of Iowa, funding a Reserve Fund and paying the costs of issuance and approving a Refunding Trust Agreement. Regent Rokes seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez. NAY: None. ABSENT: None.</p> <p>MOTION CARRIED UNANIMOUSLY.</p> |
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ITEM 18A. PURCHASE AND LEASE OF PROPERTY LOCATED AT 8 TRIANGLE PLACE, IOWA CITY, IOWA

Vice President True said this property is located south of Kinnick Stadium and is consistent with the campus plan that was described earlier. The university would make this property part of the tenant rental pool, if acquired.

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| MOTION | Regent Newlin made a motion to approve the purchase of the property at 8 Triangle Place, Iowa City, Iowa. Regent Becker seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez NAY: None. ABSENT: None. MOTION CARRIED UNANIMOUSLY. |
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President Downer said the second part was to authorize the University of Iowa to add the dwelling to its tenant property inventory.

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| MOTION | Regent Arbisser made a motion to authorize the University of Iowa to add the dwelling to its tenant property inventory, to be leased at a rate of \$900 per month from the university, until July 31, 2005. Regent Rokes seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Newlin, Rokes, Vasquez NAY: None. ABSENT: None. MOTION CARRIED UNANIMOUSLY. |
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President Downer had one other item to take up at the meeting and to end the meeting on a positive note. This item recognizes exemplary volunteer activities on the part of students at two of the universities. He asked Board members to recall that for a number of years, students at Iowa State University and the University of Iowa had sponsored dance marathons, the proceeds which have gone for the Children's Miracle Network to support the Children's Hospital of Iowa at the University of Iowa Hospitals and Clinics.

He said this event originated at the University of Iowa some 11 years ago. The students at the University of Iowa, through last year, had raised a total of more than \$3.4 million for this activity. The 2005 edition of the dance marathon will occur this weekend.

Equally commendable is that the students at Iowa State University have taken this up, even though this did not benefit a part of their university. They have participated in this for eight years. On January 22, they had a 15-hour dance marathon and raised a record

\$137,500 for the Children’s Miracle Network. More than 530 students registered to participate in that marathon. He said that shows the kind of young people attending these institutions and he wanted to request a resolution to commend them for these wonderful endeavors and that this commendation be communicated to the appropriate persons on each of those campuses.

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| MOTION | Regent Rokes made a motion to commend the students of the University of Iowa and Iowa State University for their continuing efforts in sponsoring dance marathons supporting the Children’s Miracle Network. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY. |
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Regent Rokes said the University of Northern Iowa holds a large Relay for Life event. She said this shows what these students are all about. The students are here to study, learn and also give back to the community.

President Downer adjourned the meeting at 3:03 p.m.

ADJOURNMENT

The meeting of the Board of Regents, State of Iowa, adjourned at 3:03 p.m. on February 3, 2005.



Gregory S. Nichols, Executive Director